Sustainability report

Building a more sustainable future

Sustainability Report

T TCFD related content
This icon will appear throughout this section for content relevant to TCFD disclosures

This report covers the financial year 2023 which runs from 1 January 2023 to 31 December 2023. The scope of the report includes our distribution, retailing and manufacturing operations covered by our business units.

EY has completed a limited assurance engagement over selected performance data and the assurance statement can be found on pages 112 and 113. Information within the scope of this assurance is indicated throughout the document with a Δ.

Introduction

A message from our CEO and CFO

In 2023 Grafton has continued to increase our strategic focus on environmental, social and governance issues, building on the work that we have done in recent years. Sustainability has been formally embedded into the budget process and was an important part of the Quarterly Business Review meetings we held with business units during 2023.

The Board received written reports at each Board Meeting on sustainability and has held two in-depth sessions with our Group Head of Sustainability to assess progress, validate our double materiality assessment, review our climate change ambitions and consider plans for 2024.

An important development to our governance of sustainability has been the introduction of our Executive Sustainability Committee. This includes CEOs from our larger business units across the Group and the objective of this committee is to align sustainability programmes, share best practice and ensure that we make the greatest impact from the resources we are dedicating to this area.

We are pleased to say that we calculated our Scope 3 greenhouse gas (GHG) emissions and committed to being net zero by 2050. We submitted our net zero target to the Science Based Targets Initiative (SBTi) in 2023 which is ahead of our previously communicated schedule. The targets we have submitted will, by their nature, be challenging to achieve and we have developed our first transition plan to map out how we aim to achieve them.

To achieve these targets, it will be important that policies continue to develop at pace to support the climate transition. In addition, because Scope 3 emissions are such a large part of our GHG emissions, we will need to work closely with our suppliers to meet the targets. Our new Group Procurement Director will work with our Group Head of Sustainability and the procurement leads across our business units to engage with our suppliers on this and other important sustainability matters.

While climate change has been our major focus this year, we have also carried out extensive engagement with stakeholders as part of our double materiality assessment in preparation for the new EU corporate sustainability reporting directive (CSRD). This process was very important to ensure that our strategy is focusing on those issues that are most material to our business and where our business has the biggest impact externally.

Our business units have made excellent progress across all areas of our sustainability strategy, which is presented in the following pages. However, we know that given the challenges society is facing, our work in this area will need to continue at pace.

We have committed to being net zero by 2050."

2023 highlights

Double materiality assessment and CSRD gap analysis

Scope 3 GHG emissions calculated

Net zero targets submitted to SBTi for validation

Electricity generated from solar PV installations across the Group

>1,200 MWh

Over 430,000 Litres HVO used across fleet, saving

>1,000 tCO_2e

Waste diverted from landfill

98%

New Group Procurement Director appointed

Reduction in absolute Scope 1 and 2 GHG emissions

-11.5%

location-based calculation

New Executive Sustainability Committee established

Reduction in frequency rate for lost time injuries

-7%

Community donations made by the Group

>£0.8m

Internal Promotions

All four business leadership roles filled through internal succession planning in StairBox, Leyland, CPI Euromix and MacBlair.

Strategy

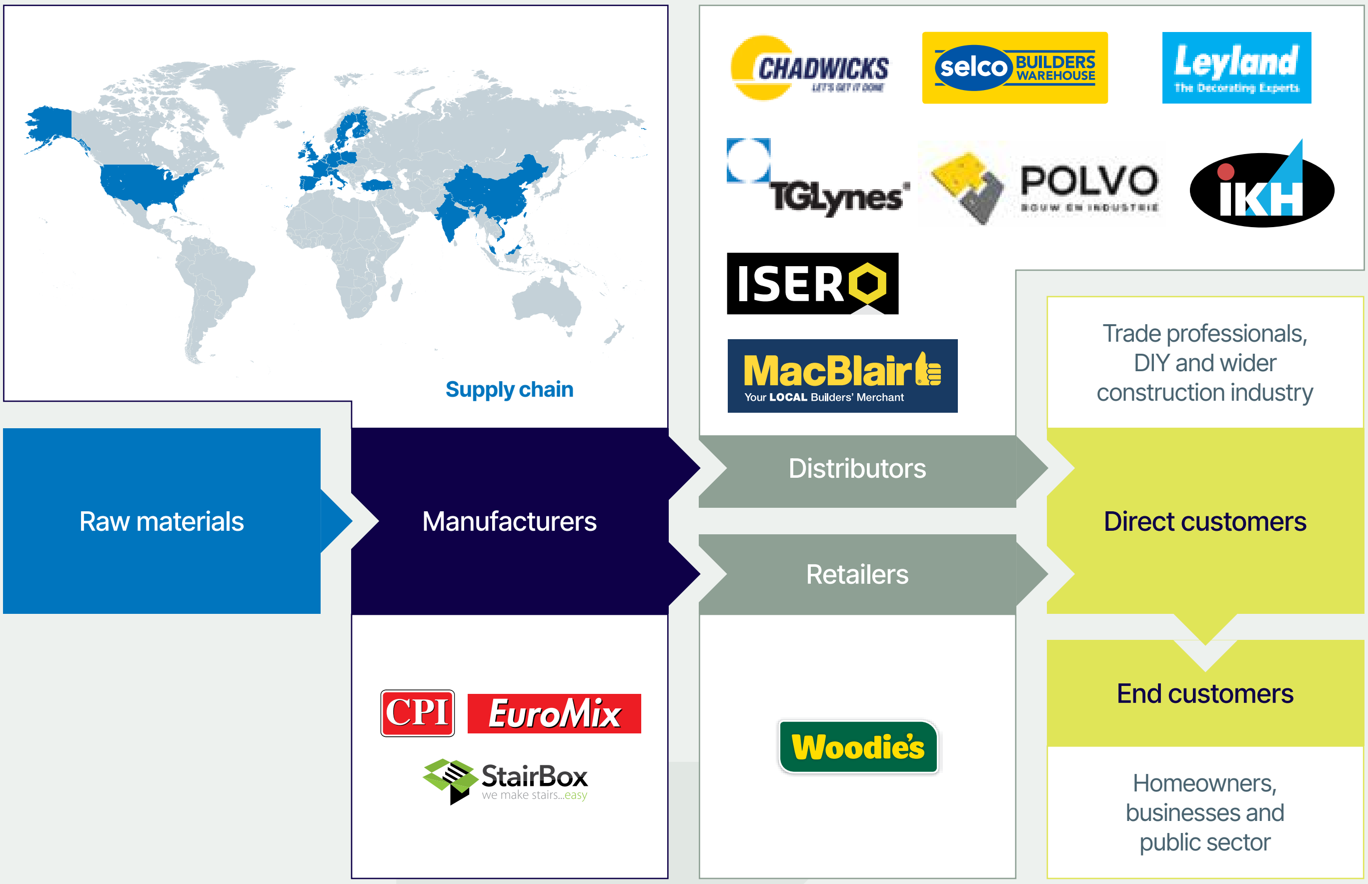
Value chain

The building and construction sector has a big impact on the world. It provides people with homes to live in, gardens to enjoy, leisure facilities to relax in and much more. However, all these activities produce GHG emissions that can impact nature and can affect people's lives.

As a family of distributors, retailers and manufacturers, Grafton understands its role and wants to play an important part in building a more sustainable future for all.

Grafton is a core part of the sector, sourcing raw materials and products from Europe as well as through a global supply base and selling to a broad range of professional and retail customers.

We also interact with communities where we operate across Europe and work to have a positive impact in those communities by providing great jobs and supporting wider society through our community programmes.



Double materiality assessment

To ensure that our strategy continues to focus on the most important issues for our business and to prepare for reporting against the CSRD, we carried out a double materiality assessment in partnership with an external consultancy firm.

A double materiality assessment looks at sustainability issues through two lenses, the impact that a business has on society and the environment as well as the financial impact an issue may have on the business's performance.

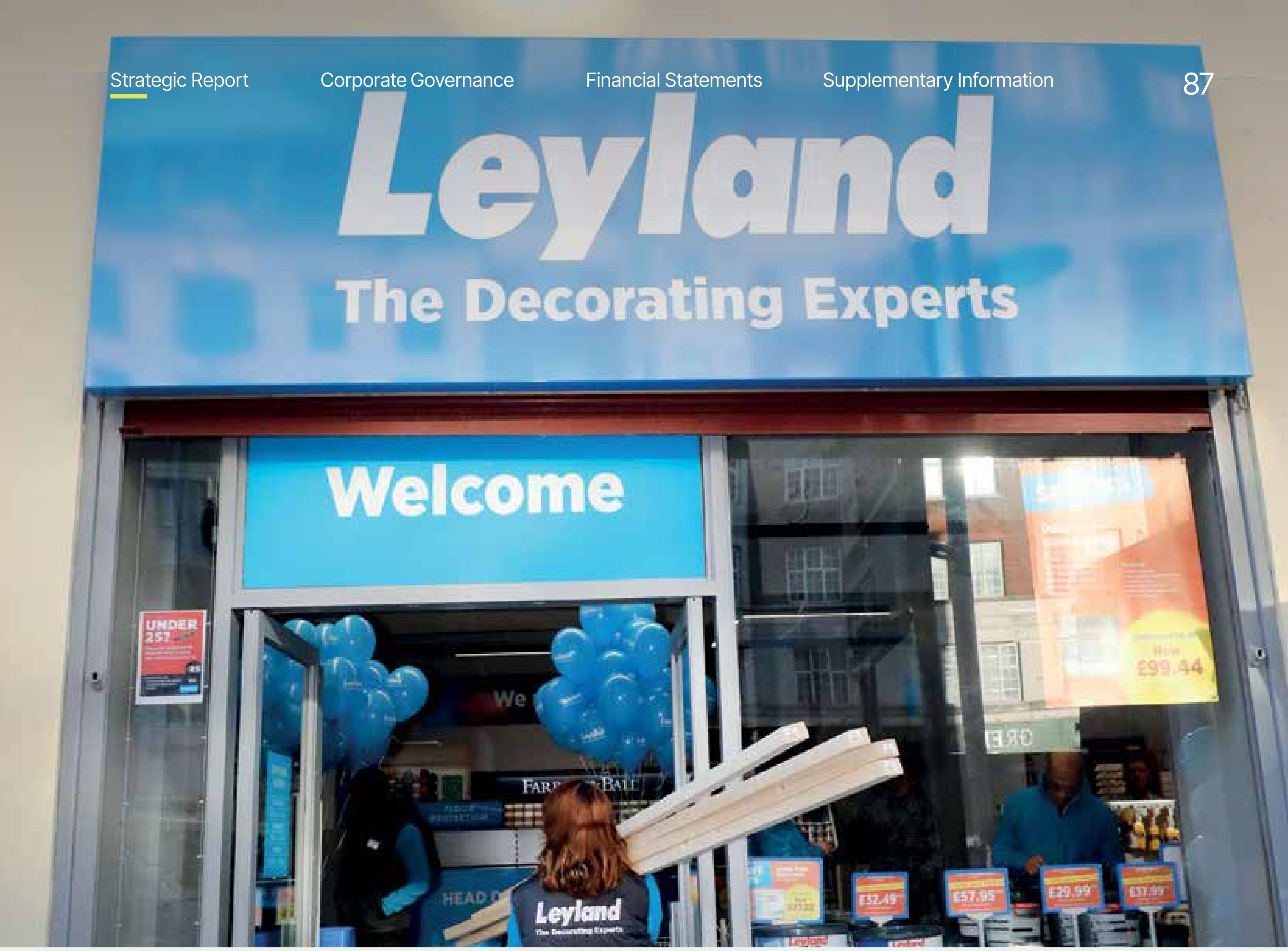
This methodology aligned with the double materiality guidance published by the European Financial Reporting Advisory Group (EFRAG) in August 2023 taking into account the reporting requirements set out in the European Sustainability Reporting Standards (ESRS).

We carried out extensive stakeholder engagement across customers, colleagues, suppliers, large shareholders, lenders, internal subject matter experts and governance committees. Feedback was scored, weighted and presented in a materiality matrix showing Grafton's most material issues.

The matrix was discussed and validated at the Board and then further refined. The final matrix of the 2023 assessment is presented on page 87 and will be used to guide our strategy and reporting requirements over the coming years. The topics included will be reviewed periodically to ensure that the matrix still reflects the most important issues.

Steps in double materiality assessment

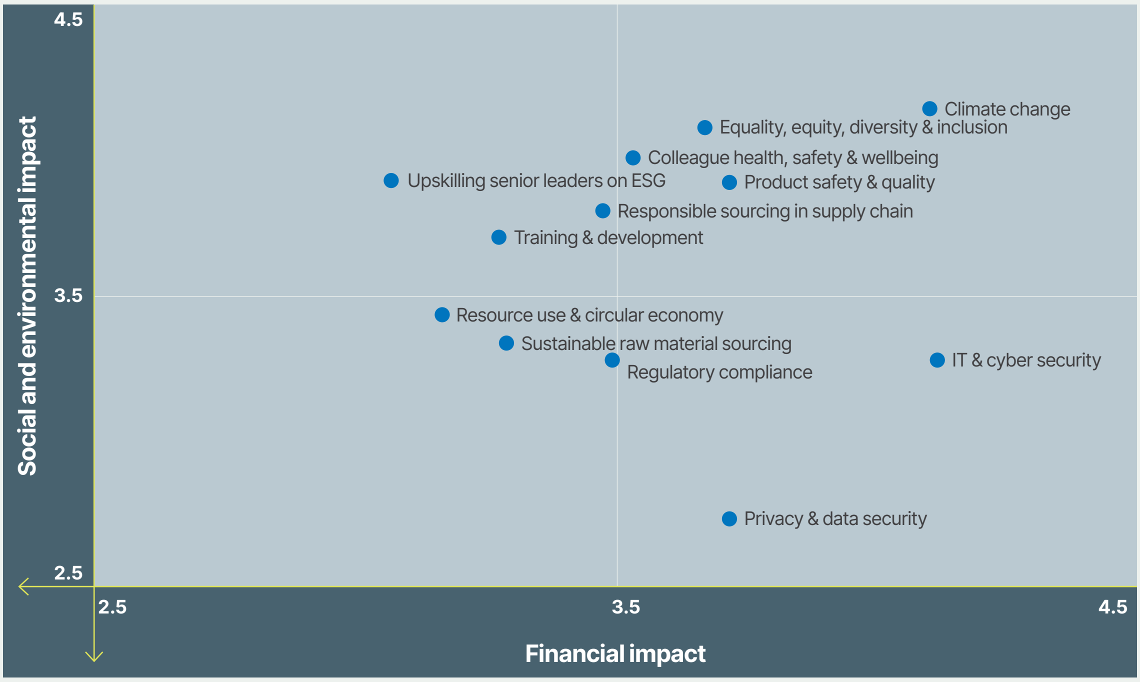
Draft list of issues developed	Extensive research carried out into Grafton and its peers, initial consultation took place with key colleagues across the Group and a provisional list of material issues was drafted.
Assess importance of issues to business, society and environment	Surveys were carried out with customers, colleagues and suppliers. Interviews were carried out with large shareholders and lenders. Workshops were carried out with subject matter experts at Grafton.
Rank impacts	Impacts were assessed using a scale of 1 (very low impact) to 5 (very high impact) and ranked in order of importance.
Assess financial impact	Level of financial impact on business performance, profitability, growth and reputation was assessed using the same 1-5 scale.
Present impact on matrix	Draft matrix was developed and shared with governance committees.
Validate and refine matrix in governance committees	Based on feedback the matrix was refined, issues were grouped, and a final matrix was presented and signed off.



Materiality matrix

The matrix below presents the findings of the double materiality assessment displaying Grafton's top 12 material issues ranked from 1 (very low impact) to 5 (very high impact) across the Environment, Social and Governance criteria. All of these issues map into the sustainability strategy which is presented on page 88.

Our top 12 material issues



Our sustainability strategy

Grafton's sustainability strategy has five priority areas that address the material environmental, social and governance (ESG) issues as well as other key issues that are very important to our business, colleagues and customers.

Our sustainability strategy is supported by our five priority areas:

The strategy aligns with the eight UN Sustainable Development Goals that we can have the biggest impact on:

Ⓜ Material issues identified in the double materiality assessment

Priority areas	Priority areas	Targets
Planet	• Climate change Ⓜ • Waste • Biodiversity • Plastics & packaging • Water • Pollution	**GHG emissions** • Annual two per cent reduction in tCO_2e per £m revenue using 2021 as the base year • Near term and net zero targets submitted to SBTi for validation in December 2023 **Waste** • 15 per cent reduction in total operational waste tonnage per £m revenue using 2021 as the base year
Customer & product	• Raw materials Ⓜ • Product safety & quality Ⓜ • Resource use & circular economy Ⓜ • More sustainable products	**Raw materials** • Establish a Group natural resources policy by 2025 • 100 per cent building timber products (by value) responsibly sourced as outlined in the Group Timber Policy by 2025 • Work with suppliers into CPI Euromix to ensure that 100 per cent of extraction sites have restoration plans **Circular business opportunities** • Pilot circular business opportunities by 2025 • Promote products to customers with sustainability attributes by 2030
People	• Equality, equity, diversity & inclusion Ⓜ • Training & development Ⓜ • Upskilling senior leaders on ESG Ⓜ • Health, safety & wellbeing Ⓜ	**Equality, equity, diversity & inclusion** • Year on year increase in percentage of colleagues that are female • Top 100 in the FTSE 250 for Board Diversity by 2030 **Training & development** • Report hours of training and development across businesses each year **Pay & benefits** • 100 per cent of colleagues receive at least one per cent above the minimum wage **Health, safety & wellbeing** • 25 per cent reduction in total working days lost as a result of an injury at work by 2025 vs 2018 baseline
Community	• Monetary donations • Goods & services donations • Volunteering • Fundraising & raising awareness of important community issues	**Community investment** • Equivalent to at least one per cent of operating profit donated to communities by 2026. Increasing by 0.2 per cent each year until that point
Ethics	• Strong governance • IT & cyber security Ⓜ • Regulatory compliance Ⓜ • Responsible sourcing (supply chain management) Ⓜ • Privacy & data security Ⓜ	**Ethical business training** • 95 per cent of colleagues compliant with ethical business training programmes on business conduct and ethics, information security and regulatory compliance **Supplier management** • Year on year increase in response rate of suppliers to our supply chain management due diligence programme

Planet

Alignment with SDGs

The climate crisis is one of the most important issues facing society and its impacts were clear to see in 2023. The summer saw heat records being broken in China, the US and Europe, flash flooding affected many countries, devastating wildfires swept across parts of Canada and Greece and a record reduction in sea ice in Antarctica was recorded in June. The effects being seen today only reinforce the importance for businesses to set stretching emissions reduction targets, aligned with scientific guidance.

It's estimated that buildings account for 40 per cent of the energy usage across the EU and GHG emissions from materials extraction, manufacturing of construction products. In addition, the construction and renovation of buildings are estimated to account for between five and 12 per cent of total emissions.

As a result, all players in this sector have a responsibility to take action to reduce emissions. The stakeholder engagement carried out with customers, colleagues, investors, lenders and suppliers this year showed that climate change is the key environmental concern.

Alongside and closely linked to the issue of climate change there is an underlying principle that society needs to make the most of the resources that it uses, reduce waste and address the impact that plastics and packaging have on local and global environments. In addition, businesses need to assess the impact that operations, supply chains and products may have on nature and take steps to protect biodiversity.

The effects being seen today only reinforce the importance for businesses to set stretching emissions reduction targets.

Our progress

Climate change

In 2023 Grafton achieved an 11.5 per cent absolute reduction in Scope 1 and 2 location-based GHG emissions which is a 12.2 per cent reduction relative to £'million revenue. This was achieved through a focus on energy efficiency in buildings, more effective monitoring of energy usage through quarterly scorecard reporting and continued investment in solar panels and energy management systems in properties across our estate. To reduce the emissions in the vehicle fleet we invested in Hydrogenated Vegetable Oil (HVO) as an alternative to diesel in several distribution sites as well as continuing the switch to electric and hybrid vehicles where practical.

Beyond Scope 1 and 2 we focused on calculating the Scope 3 GHG emissions of the Group, preparing targets to submit to the SBTi to achieve net zero by 2050 and aligning with the 1.5°C trajectory. These targets were submitted in December 2023 and are awaiting validation.

We also developed our initial transition plan outlining how we aim to achieve our targets which is presented on pages 92 to 95. The Board and senior leadership were consulted extensively on the targets. It should be noted that the targets are incredibly stretching and will require continued improvements to data collection and monitoring and extensive engagement with our supply chain partners.

In our Scope 1 and 2 reporting to date we have reported GHG emissions using the location-based methodology which uses the country-specific average emissions factors for electricity. However our new targets submitted to the SBTi for validation use the market-based methodology. The market-based calculation takes into account the renewable electricity we procure as a business.

Following the validation of our SBTi targets we will transition formally towards market-based reporting in future years.

Therefore, during this transitional period, we are continuing to report using the location-based methodology for 2023 but have also started to incorporate the market-based approach in our transition plan, which is aligned with our recalculation policy as published on www.graftonplc.com.

Total GHG emissions (tonnes CO_2e) % Change (location-based)

-11.5 %

GHG emissions (tonnes CO_2e) per £m revenue % Change (location-based)

-12.2 %

GHG location-based emissions data

The absolute reduction in carbon emissions in 2023 was 11.5 per cent using the location-based reporting factors.

Unit	Source	2020	2021	2022	2023
tCO_2e	**Scope 1 & 2**	**42,819**	**51,823***	**50,807***	**44,968Δ**
tCO_2e	**Scope 1**	**31,749**	**38,625***	**37,453***	**32,436**
MWH	Gas	29,279	37,083*	31,377*	25,880
tCO_2e	Gas	5,560	6,945*	5,862*	4,782
tCO_2e	Company Cars	2,520	2,075	2,081*	2,061
tCO_2e	Forklifts	2,923	3,841	2,097	1,799
tCO_2e	Vans & Commercial	9,931	12,772	13,160*	11,243
tCO_2e	Burning/Heating Oil	149	60	137	112
tCO_2e	Gas Oil	–	53	691	1,361
tCO_2e	LPG	10,667	12,879	13,426*	11,077
tCO_2e	**Scope 2**	**11,069**	**13,198***	**13,353***	**12,532**
MWH	Electricity	38,330	47,324*	50,850*	49,080
tCO_2e	Electricity	11,069	12,756*	12,461*	11,798
MWH	District Heating	4,752	2,691 *	5,170*	5,357
tCO_2e	District Heating	–	438	853*	658
tCO_2e	Electric Company Cars		4	26	67
tCO_2e	Electric Vans			13	9

* Several data points have been recalculated following the replacement of previously estimated data with actual activity data and also using updated emissions factors for some jurisdictions. This has resulted in a 0.4 per cent increase to 2021 emissions and a 1.7 per cent increase to 2022 emissions as previously reported.
See recalculated results marked with (*) See data assured by EY (Δ)
Carbon accounting methodology is available from www. graftonplc.com.

Transition Plan – Achieving net zero by 2050

Grafton has developed its first climate transition plan following the principles of the Transition Plan Taskforce disclosure framework – Ambition, Action, Accountability.

Ambition

1) Foundations

Strategic Ambition

Grafton has committed to becoming net zero by 2050 and achieve a 42 per cent reduction in absolute GHG emissions across scope 1, 2 and 3 by 2030 against a 2021 base year (subject to approval by the SBTi). These targets are aligned with the 1.5°C trajectory set out in the Paris Agreement. Having conducted a double materiality assessment, it's clear that our stakeholders, colleagues, customers and suppliers regard climate change as their top priority.

Business model and value chain

Grafton's business model and value chain are presented on pages 28 and 29. As a distributor, retailer and manufacturer of products for the building industry there are important changes that will need to take place over the coming 25 years.

98 per cent of Grafton's GHG emissions are Scope 3, the vast majority of which are in the manufacture and use of the products that we sell. To drive the changes that are needed, Grafton will work extensively with suppliers and customers.

In the shorter term we will focus on improved data collection, increasing the proportion of suppliers with Science Based Targets and encouraging more suppliers to set Science Based Targets.

In the longer term there will be a focus on alternative products, materials and energy usage for products as well as scaling up circular business models where possible.

Key assumptions and external factors

Financial growth – the targets are based on absolute emissions reductions therefore organic business growth will be captured in the emissions reduction trajectory. However, as a business that acquires and divests, we have published a clear recalculation policy to take into account any significant changes in the business (www.graftonplc.com).

Policy developments – all businesses require policy support to enable them to deliver such stretching targets. It will be important that governments continue to drive renewable electricity, support innovations in alternative fuels and phase out high impact products such as boilers.

Industry innovations and developments – builders merchants rely on large industries such as chemicals, steel and cement to provide the products that customers such as builders, DIY enthusiasts and developers need. These large industries have plans in place to reduce their emissions and have been subject to legislation over time, therefore delivering their ambitions will be an important contributor to Grafton achieving our targets.

Technological advancements – longer term, technological advancements will be necessary in how buildings are constructed and the technology used to power them as well as in the transport industry for heavy goods. We will work with our supplier partners where possible to trial and promote these technologies, but much of the innovation will take place within our supply chain.

Data improvements – As a business Grafton sells hundreds of thousands of products therefore the calculation of Scope 3 emissions is subject to assumptions. As Grafton improves the monitoring of its emissions and suppliers improve the quality of the information they report on their products we will likely need to recalculate our emissions (in accordance with the base year recalculation policy).

Action

2) Implementation Strategy

Our newly established Executive Sustainability Committee will take the lead in ensuring that GHG emissions targets are embedded in the business planning and operations of the business. In 2023, the Committee was consulted on the targets and the transition plans and the priority areas are displayed in the table to the right. The actions are separated into Scope 1 and 2, and Scope 3 so that the relevant teams across each business unit can take ownership for the delivery.

Grafton already has an environment policy which incorporates its commitment to net zero as well as a re-calculation policy for our GHG emissions base year data. In 2024 further policies will be developed where necessary to capture the business changes required to meet the near term 2030 targets.

Grafton includes climate change in the budgeting process to ensure that financial impacts of decisions are effectively quantified and over the coming year will also prepare to report against the EU taxonomy.

In developing the transition plans, for Scope 3 Grafton included sensitivity analyses setting out different scenarios assessing the emissions reductions possible through business as usual, medium and stretch pathways. In this transition plan we are presenting the trajectory required to meet the 42 per cent reduction by 2030.

Scope 1 and 2	Priority
Electricity	• Move to 100 per cent certified renewable energy and increase solar production capacity for new and existing sites • Continue to improve monitoring of our energy use and increase efficiencies where possible
Commercial vehicles	• Phased transition to electric, bio-fuels or other alternative technology in long term
Gas heating	• Initial focus on increased efficiency and long term transition to alternative forms of heating
Car fleet	• Switch to electric car fleet and support this move with the installation of charging points at Group locations
LPG for manufacturing	• Initial focus on increased efficiency in manufacturing process and long term working with suppliers to develop technological/efficiency innovations

Scope 3	Priority
Goods for resale	• Improve data collection from suppliers • Increase the proportion of products sourced from suppliers that have set Science Based Targets • Map products against sustainability framework • Prioritise categories that make the biggest contribution such as sealants, adhesives and fillers, cement, plastic products, plasterboard and metal products • Long term increasing circular business offerings including rental, repair and reconditioning
Use of sold products	• Offering alternatives to traditional boilers such as heat pumps and supporting the transition set out in government policy • Improving efficiency of energy using products as well as reducing emissions associated 'in use' as renewable energy increases in grid mix

3) Engagement Strategy

Engagement across Grafton's value chain and especially with suppliers and customers will be an essential part of achieving the targets. Suppliers will be required to share detailed data on the products supplied and be encouraged to set Science Based Targets and indeed many already have. Collaboration to bring new products to market will also be key.

Grafton's supply chain due diligence process will be extended to capture more detailed information.

Grafton collaborates across the industry through groups such as the Builders Merchant Federation and the Construction Products Association. These forums provide an opportunity for information and views to be shared with other building materials distributors, suppliers, and leading industry figures.

As part of our sustainability strategy we consult key stakeholders including customers, suppliers, shareholders and lenders. This is used to gain feedback on their priority areas and the actions that they would like to see Grafton taking. Climate change was the top environmental priority for all stakeholder groups.

4) Governance, business and operational metrics and targets

Grafton 2021 GHG emissions

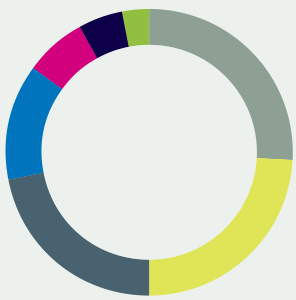
In 2023, we submitted our 2021 GHG emissions base year information to the SBTi utilising a market-based GHG methodology and following our newly published base year recalculation policy. Grafton worked with a third-party consultancy firm to calculate Scope 3 absolute GHG emissions for the first time. All relevant Scope 3 categories were included. Goods for resale (GFR) and use of sold products account for 92 per cent of total Scope 3 emissions and therefore are the priority for the 2030 targets.

More detail on Grafton's Scope 3 calculation methodology and assumptions made can be found at www.graftonplc.com.

Base year emissions by scope

Scope 1 & 2	2%
Scope 3	98%

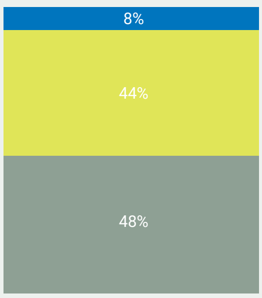
Scope 1 and 2 emissions by source*



Commercial vehicles	26%
LPG	24%
Electricity	22%
Natural gas	13%
Forklifts	7%
Cars	5%
District heating	3%

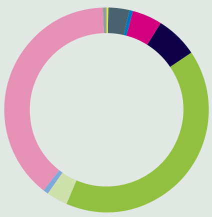
* Market-based emissions submitted to SBTi.

Scope 3 emissions by category



Other	
Use of sold products	
Goods for resale	

Details of 'other' scope 3 categories*



Goods not for resale	0.03%
Capital goods	0.25%
Upstream leased assets	0.00%
Business travel	0.05%
Employee commuting	0.37%
Fuel & energy-related activity	0.49%
Upstream transport and distribution (T&D)	3.12%
Downstream T&D	0.27%
Downstream leased assets	0.05%
End of life treatment	2.97%
Operational waste	0.04%

* percentages represent percentage of total scope 3 emissions.

Near term emissions reduction trajectories

We have modelled reductions required to achieve 42 per cent absolute emissions reductions by 2030 focusing on top emitting categories, and the modelled reductions are displayed on the graphs to the right.

Note that the reductions may be achieved through other means, but this is the current thinking of the Group.

Scope 1 and 2 will be achieved through a switch to 100 per cent renewable electricity, reduction in commercial vehicle emissions by switching approximately 50 per cent of the diesel fleet to electric, HVO or other low carbon alternatives. The company car fleet will switch to electric or other low carbon alternatives, forklift truck operations will also switch to electric or HVO and there will be significant efforts to achieve energy efficiency savings in the heating of our premises.

In this model we have assumed no change in the use of LPG in our mortar manufacturing process but will continue to work with suppliers to seek to develop technological and efficiency innovations and assess all opportunities to achieve reductions in this area of GHG emissions.

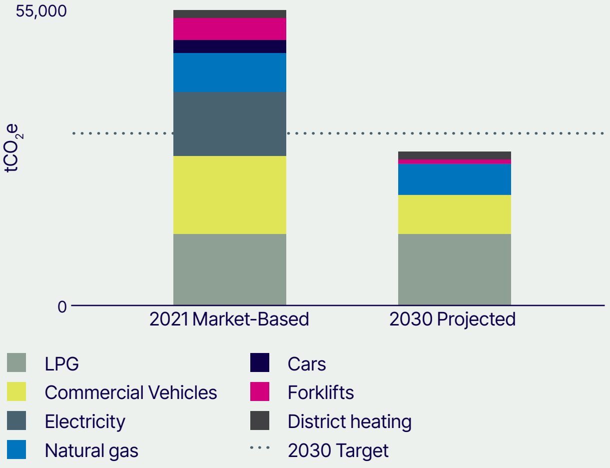
Scope 3 emissions reductions focus on the use of sold products as well as emissions associated with the sourcing and manufacture of GFR.

In use of sold products there is a phase down of traditional boiler sales, increased energy efficiency of products and a gradual move towards renewables in the grid. In GFR we have focused on the categories that contribute most to our emissions and modelled appropriate reductions using industry projections from the International Energy Agency (IEA) as well as stretching targets set by suppliers already. A big focus will be to increase the proportion of products sold from suppliers who have set Science Based Targets and encourage more suppliers to do so.

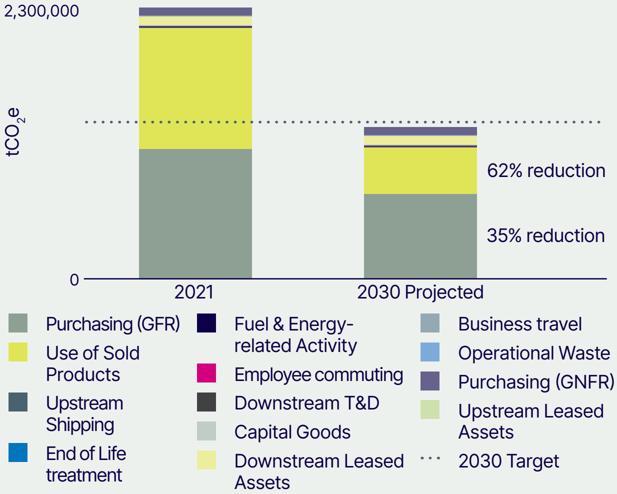
Based on the assumptions made, the GFR emissions are projected to reduce by 35 per cent from the 2021 base year and use of sold products emissions to reduce by 62 per cent from the 2021 base year which leads to a 44 per cent reduction overall from the base year.

We have not currently included carbon credits in our carbon reduction plans as the focus is on achieving the reductions set out above. However, in achieving the net zero target by 2050 a 90 per cent reduction in absolute emissions will be achieved in line with the SBTi guidance and the remaining 10 per cent will be neutralized through investment in nature-based solutions.

Scope 1 and 2 projected reductions



Scope 3 projected reductions



Accountability

5. Governance

Climate change governance follows the sustainability governance process set out on page 109. The Board has ultimate strategic responsibility and delegates day to day delivery and oversight to the CEO and Executive Sustainability Committee. Climate change risks and opportunities are captured as part of the corporate risk register and discussed at the Group Risk Committee. GHG emissions reduction targets are included in the remuneration framework for senior leaders and in the banking targets that Grafton's lenders hold us to account on.

Grafton will disclose against the CSRD for its 2025 financial year. Prior to this Grafton hopes to receive validation of its SBTi targets, develop further our transition plan and improve the Scope 3 data collection methodology with more product specific emissions factors. In addition, Grafton will carry out an impact assessment on its transition risks as well as consider the role of an internal carbon price.

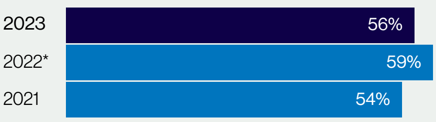
Sustainability report
Action and progress continued
Planet continued

Waste management
Grafton works with waste management companies to monitor waste, manage it responsibly and look for opportunities to reduce it. Across the Group total waste generated in our operations remained consistent with 2022 data. In partnership with our waste management companies, teams work to divert the waste in our own operations from landfill and in 2023 achieved a 98 per cent diversion rate^Δ.

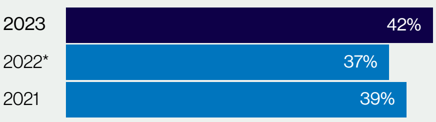
Teams continue to look for opportunities to replace plastic wrap used to distribute products with recycled alternatives as well as trying to reduce the amount used where possible by using collapsible boxes, moving to cages or strapping products together.

However, all alternatives need to be carefully assessed with our colleagues' safety in mind as many of our products are heavy and safety is of the utmost importance.

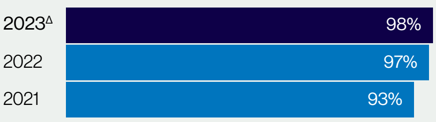
Total recycling rate



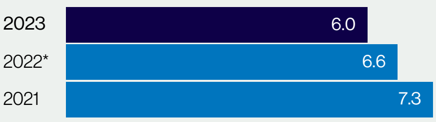
Total recovery rate



Waste diversion from landfill



Total waste £m revenue (tonnes)



* Recalculated following improved data collection. Operational Waste Criteria is available from www. graftonplc.com

All businesses report packaging data as required by legislation in their country of operation. The biggest change to this system has been taking place in the UK, where business units have continued to report against the existing packaging scheme and plastics tax regulations whilst also preparing for the new extended producer responsibility system. Business units have been working closely with suppliers to collect the data required on packaging.

We have also been working to improve the packaging that we use. Our business in the Netherlands for example has replaced older style cardboard boxes with a lower impact alternative. There is an almost 20 per cent reduction in the emissions associated with the new box. The new box uses 80 per cent recycled material and is fully recyclable, there is no printing on the box and the weight has been reduced too.

Water management
Water is not a material issue within Grafton's operations as the branches and manufacturing facilities are not large users of water. However, Grafton is monitoring its water usage to ensure that this precious resource is used as efficiently as possible.

Biodiversity
Biodiversity is an important and complex issue. The Group can impact biodiversity in its own operations, through its supply chains and in the use of products. There are various initiatives in place across the Group that are designed to address biodiversity as well as other environmental issues.

Branches work to support and promote biodiversity at a local level. Chadwicks for example is a member of the All-Ireland Pollinator Plan implemented by the National Biodiversity Data Centre. As part of this membership biodiversity projects are introduced to stores during refurbishments.

The timber sourcing programme is promoting responsibly sourced timber including FSC and PEFC. We have a commitment to work with our aggregate suppliers to ensure that all extraction sites have restoration plans in place. CPI Euromix has engaged with all of its quarries on this topic.

Pollution
Grafton's manufacturing businesses have policies and procedures in place to monitor, manage and minimise any emissions associated with the manufacturing process. CPI Euromix has 'baghouse' technology on all sites which collects dust, and removes particulate matter and harmful gases from the manufacturing process.

StairBox uses a bag filter to collect and store dust in a silo which is regularly maintained. There are alarms installed to alert the teams in the case of a breach of the limits as well as a response plan in place.

For the distribution businesses, air quality management associated with the fleet is the priority. Selco have invested in CNG fuelled vehicles in metropolitan areas as they emit lower amounts of particulate matter than standard diesel fuelled vehicles.

New lower impact packaging being used in our Netherlands business units.

Customer and product

Alignment with SDGs

The products that Grafton sell are a big contributor to its Scope 3 GHG emissions. Grafton sells to sole traders, small companies, large construction companies and house builders, to the public and private sector, and to DIY enthusiasts.

Value for money is incredibly important for a just climate transition, but this shouldn't come at the expense of quality, traceability and responsible sourcing. Customers are increasingly interested in products that will help them use energy more efficiently so we need to consider how to best support this as well as offering product options that extend the life of products through rental and repair.

A large proportion of our customers are professionals who need to have confidence that if they introduce a new product, it will perform as well as their existing product, so it is important to work closely with customers to introduce, test and review new products.

Product sustainability

Grafton has a product sustainability framework which continues to evolve and develop. The attributes include responsibly sourced raw materials, low impact manufacture, reduction in fossil fuel consumption in use and more. The Scope 3 GHG emissions calculations helped Grafton to start to identify the impacts of the different products in the portfolio.

Product sustainability is a complex area and businesses across sectors are rightly being challenged on the claims that they are making. Credibility is critical to any messaging so Grafton will only publish data on product sustainability when confident that the claims are robust. Grafton's new Group Procurement Director is working with suppliers to identify new products with a lower impact that can be brought to different markets in our Group.

CPI Euromix, is working on an updated Environmental Product Declaration (EPD) of its mortars which will be published in 2024 and should demonstrate some of the improvements made to the manufacturing process. Isero stocks a selection of cradle to cradle accredited products. Selco and StairBox's FSC and PEFC timber sourcing programmes are achieving high percentage certification (see page 99).

Eco Centre in Chadwicks displaying energy saving products.

Sustainability report
Action and progress continued

Sustainability attribute framework

Production	In use	Circularity
Raw material sourcing Raw materials that are third party verified as responsibly sourced or recycled, or products that use an alternative material that has a demonstrated lower impact.	**Reduces fossil fuel consumption** Products that support energy efficiency in buildings or that enable customers to generate renewable energy onsite.	**Repairability, durability, recyclability** Products designed for durability, to extend the life of other products, for reusability, recyclability or compostability.
Lower impact manufacturing process Products manufactured in premises with onsite generated renewables or demonstrated low carbon production techniques.	**Reduces water consumption** Products designed to use less water or allow customers to harvest rainwater.	
	Promotes biodiversity Plants and products that promote biodiversity and reduce chemicals that can harm wildlife.	

Packaging

Recycled, recyclable or reusable

Supportive attribute encouraging suppliers to reduce reliance on single use plastics and seek recycled and reusable options

Circular economy

Across our business units there are some strong examples of circular business models in action. Chadwicks' Sam Hire brand provides high quality construction equipment on a rental basis to customers in the Republic of Ireland. At any one time it has approximately 6,500 pieces of equipment from diggers, dumpers, generators, scissor and material lifts to concrete cutting saws. The operation has expanded from 15 branches to approximately 23 branches over the past eight years with another location planned in 2024. Two to three team members run the operation in each branch providing rental and maintenance services. TG Lynes also operate a plant rental service.

For IKH the spare parts and rental offerings have been central to its business model for over 20 years. Spare parts are offered for tools, large machinery and more than 2,000 tractor models which are either purchased from suppliers or farmers and companies that sell secondhand parts. Maintenance and repairs of rental products are performed in-house, maximising the life of each product.

Woodie's partner with six of its suppliers to offer repair services for garden products such as lawn mowers and power washers.

Isero are innovating in the refurbishment space by working with one of their value chain partners on a sanitaryware refurbishment scheme, collecting, refurbishing and reselling certain products and working to calculate the associated GHG emissions savings.

Raw material traceability

Gaining greater traceability of priority raw materials is an important focus. CPI Mortars has strong traceability of the sand, cement and additives used to make its mortars. It has long-standing relationships with its UK-based suppliers and works closely with them to ensure the extraction sites have restoration plans in place.

Timber is an important raw material for a number of the distributors within the Group. The Group Timber Sourcing Policy outlines the legal requirements, responsible sourcing and due diligence guidelines. Through the supplier due diligence and risk management system, businesses can track the FSC and PEFC accreditations of large timber suppliers. Business units build on this with due diligence and chain of custody programmes to trace the timber from forest to sale. The StairBox system incorporates QR codes to trace timber through the steps of production. Selco has an extensive chain of custody programme in place for FSC and PEFC across its branches which requires an annual auditing programme. Selco is also a member of Timber Development UK through which it reports its annual due diligence progress against the UK Timber Regulations.

A priority for the coming year will be to ensure that the Grafton processes are aligned with the requirements of the new EU deforestation legislation which comes into effect in December 2024.

Percentage of Selco Timber FSC or PEFC certified

99%

Percentage of StairBox Timber FSC or PEFC certified

97%

People

Alignment with SDGs

At Grafton, our people are the driving force behind our success, and we are committed to investing in their growth and development. The 2023 double materiality assessment reinforced the importance of this key stakeholder group highlighting health, safety and wellbeing, training and development, upskilling senior leaders on ESG and Diversity, Equity, and Inclusion as priority issues.

Over the past year, we have continued to focus on creating an inclusive and supportive work environment where every individual feels valued and empowered. We believe that diversity in our workforce is a strength that drives innovation, and we are proud to have a team that represents a wide range of backgrounds, experiences, and perspectives.

We have also prioritised learning and development, offering a variety of training programs and opportunities across our businesses for our colleagues to expand their skills and knowledge. Our aim is to ensure that our people are equipped to meet the challenges of our industry and to contribute to our continued growth and success.

In addition, we recognise the importance of work-life balance and colleague well-being. We have implemented policies and initiatives aimed at promoting health and wellness, and we are committed to supporting our colleagues in achieving a healthy balance between their work and personal lives.

Looking ahead, we remain committed to our people. We will continue to invest in their development, celebrate their achievements, and create an environment where they can thrive.

How we manage our People plan

The Group HR Director and HR leaders in each business unit are committed to ensuring that our people strategy and colleague engagement focus is delivered and driven throughout the organisation. The Group HR forum provides an opportunity to share best practice including information on resources and planning across the business units, new developments in people management and leadership development as well as monitoring key metrics.

Colleague health, safety and wellbeing

We believe leadership of the health, safety and wellbeing agenda is most effective when it is integrated into routine business behaviours, and we continue to drive this approach supported by our integrated Safety, Health and Environment (SHE) support teams in each business. This federated approach has created autonomous local management teams who own their own health, safety and wellbeing agendas, with appropriate challenge and support at Group level.

We believe there is nothing we do that is so urgent that we cannot do it safely.

This belief is central to how we lead and integrate health, safety and wellbeing practices and initiatives at all levels across the Group.

We remain committed to doing everything we can to ensure that our colleagues, customers and business partners return home safe and well each day by regularly reviewing our health and safety management system against relevant industry standards, learning from benchmarking exercises within each sector and actively involving our colleagues in the process.

The role of leadership and colleague participation is fundamental to this commitment. All colleagues are encouraged to take an active part in helping us to maintain and develop their own health, safety and wellbeing at work by challenging anything they feel is conflicting with our over-arching beliefs and always raising any concerns and making suggestions. This is achieved through a combination of day-to-day management, focus groups, team meetings, our Notify safety management system, committee meetings and through the Group Risk Committee.

Support teams in each business integrate the health, safety and wellbeing planning into the business plan and ensure risk assessments reflect the reality of existing operations as well as new projects.

Each business is subject to regular health and safety audits including branch compliance checks by internal teams in the businesses, external enforcement officer inspections and higher level reviews by our own Group Internal Audit and Business Risk team, all of which support and drive a continual health, safety and wellbeing improvement plan.

2023 saw a continued reduction in serious injuries as a result of our focus on our key priorities around the Group. The activities in each business varied across the distribution, retailing and manufacturing sectors but the key priorities remain centred around keeping pedestrians safe from moving vehicles, the safe handling and storage of products and ensuring safe customer deliveries on site.

Businesses across the Group have wellness programmes in place with initiatives running throughout the year to support colleagues to be healthier and more content both at work and at home.

Helplines in each of the countries where we operate are available 24 hours a day, 365 days a year.

In response to the changing business environment and the changing ways that colleagues live and work, flexible working policies and practices have been implemented where appropriate to business needs.

The Group Lost Time Injury Frequency Rate reduced by seven per cent from the 2022 level and the corresponding Group Lost Time Severity Rate reduced by four per cent.

Group lost time – injury frequency rate

Year	Lost time injuries per 100,000 hours worked	% Change
2023	0.86	reduced by 7%
2022	0.92*	reduced by 8%
2021	1.0*	increased by 4%
2020	0.96	reduced by 10%
2019	1.07	

Group lost days – severity rate

Year	Days Lost per 2,000 hours worked	% Change
2023	0.18	reduced by 5%
2022	0.19	reduced by 27%
2021	0.26*	reduced by 19%
2020	0.32	increased by 19%
2019	0.27	

*Data has been recalculated due to improvements in data collection

Why mental wellbeing matters to us at Grafton

Our colleagues are at the heart of everything we do. The last few years have been tough for colleagues – a global pandemic and a cost-of-living crisis – which is why we want to be there for them because mental health is just as important as physical health. So, we have worked hard to increase our focus on helping colleagues improve their mental, emotional, physical, and financial wellbeing – from creating an inclusive culture where everyone feels welcome and fulfils their potential to encouraging colleagues to speak up if they're struggling so we can support them to seek the help they need.

This isn't just the right thing to do; it's essential to the long-term success of our business. Valuing our people and ensuring that we create an environment where everyone is welcome, is at the heart of our core values. Our colleagues are the key to providing a brilliant service to our customers, and we know that having happy, healthy, and engaged colleagues is critical to the long-term success of our business.

Engaging with our colleagues

Our regular business colleague committees provide an opportunity for colleagues to share how they are feeling, provide feedback and shape actions at a local level. These insights are considered when making decisions on key business matters, when developing our local and overall wellbeing strategies and when designing and developing wellbeing initiatives. Colleague committees at country level provide the opportunity for our Group Non-Executive Directors to engage with colleagues and for colleagues' views to be heard at management and Board level.

We also make sure that all our businesses focus on colleagues' wellbeing using specific questions within our colleague engagement surveys and develop action plans to address any issues raised.

What we are doing to support our colleagues

We want to create a workplace environment for people to flourish. It is important for all our colleagues to enjoy working here because their job has the right level of purpose, the right level of challenge and the right level of support. To help us achieve this goal we are committed to:

- Providing resources, tools, and benefits to help people access the right support when they need it and in a way that works for them.
- Ensuring that health and wellbeing is part of everything we do and embracing 'good work' principles.
- Maintaining an open dialogue with colleagues and providing multiple channels for feedback and communication.

We believe in looking after all aspects of our colleagues' wellbeing - mental, physical, and financial. In our businesses, we focus on raising awareness, education, and support, providing tools and resources that enable our colleagues to make positive and proactive choices to thrive in all aspects of work and life. These include access to confidential counselling services, mental health awareness training, and resources such as online self-help tools.

We monitor risks such as absence trends and colleague engagement scores across the business. We also regularly communicate the importance of wellbeing through our internal social media channels to ensure we keep our wellbeing

"At Grafton, we believe that positively managing colleague health and wellbeing underpins colleague engagement and is to the benefit of our business and all our stakeholders. As Chief Executive I personally put great emphasis on health and wellbeing, for me it is important that we all show care and respect for each other, support work-life balance and that our businesses provide the tools and resources to support our colleagues."

Eric Born, Group Chief Executive Officer

conversations alive. Our businesses hold wellbeing campaigns throughout the year that raise awareness of key topics, and the tools and resources available. The campaigns focus on all areas of wellbeing, and we collaborate closely with external partners and benefits providers to leverage their expertise.

In 2022 and 2023 we gave support to colleagues during the cost-of-living crisis. In addition to reinforcing and signposting the existing support available we helped ease the financial pressure many colleagues were facing with additional support.

We believe that by supporting our colleagues' mental health and wellbeing, we can create a happier, healthier, and more productive workplace. We are committed to collaborating with our colleagues to ensure that they have the support they need to thrive both at work and in their personal lives.

Sustainability report
Action and progress continued
People continued

Equality, equity, diversity and inclusion

Grafton has a Group wide equality, equity, diversity, and inclusion policy which is the foundation for all the individual business guidelines.

As a business we have a role to play when it comes to tackling inequality by ensuring that barriers to opportunity are removed and that people from all backgrounds can enjoy equitable access to career opportunities. We recognise that investing in diverse, inclusive, and socially conscious strategies will build stronger relationships with our communities, current customers and broaden our customer base.

We will continue to promote equality, equity, diversity, and inclusion across all areas of our business.

Diversity activity across our business

Our Diversity and Inclusion ("D&I") working groups continued to support our businesses to encourage an inclusive culture that promotes diversity. Whilst the overall number of females across the Group declined slightly year on year, we are delighted that five of our businesses, CPI Euromix, TG Lynes, MacBlair, IKH and Isero, increased their gender diversity in 2023.

Selco launched its 'Women's Forum'; bi-annual meetings connecting women from across the branch and support network, resulting in meaningful conversations around growing female leadership and development, allyship, and culture. The forum has been instrumental in reviewing the candidate journey from an external lens and bringing inclusion ideas to the table. Such ideas have resulted in diversity and inclusion training and Female Leadership Apprenticeships for 2024.

Woodie's continued to benchmark strongly on diversity and inclusion in the Great Places to Work Index, scoring 94 per cent on Diversity and Inclusion compared to a 91 per cent average for Best Large Workplaces, while Woodie's HR Team was shortlisted for Best Diversity Strategy at the 2023 HR Leadership & Management Awards.

Woodie's was one of only three organisations to be listed as a Best Workplace for Women for five consecutive years in Ireland, Chadwicks were proud to achieve silver status in Diversity from Irish Centre for Diversity and CPI EuroMix became a platinum member of Women into Construction.

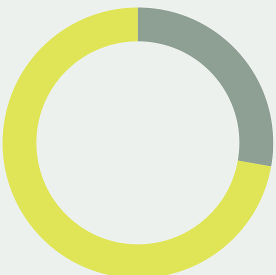
In 2023 we carried out accessibility assessments of all our offices to identify improvements that could be made to make our office locations more accessible for all colleagues and visitors.

Unfortunately, despite all of this work, we did not increase the percentage of our colleagues that are female. In 2023, 28.5 per cent Δ of colleagues were female in comparison to 29.2 percent in 2022. To put this into context, 28.5 per cent female is higher than the average for the sector, but we want to show leadership in this area and will continue to look for ways to increase diversity across our business.

However, we are delighted to report that the percentage of women in senior management across the Group increased from 23 per cent in 2022 to 28 per cent in 2023.

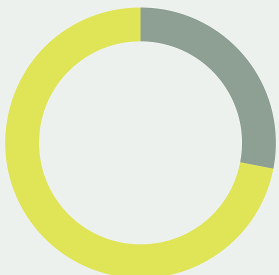
Diversity data

Gender breakdown: Group



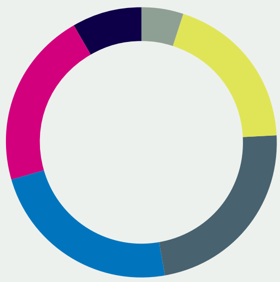
Female	28.5%
Male	71.5%

Gender breakdown: Senior Management



Female	28.1%
Male	71.9%

Age breakdown



Below 21	5.0%	41-50	23.4%
21-30	19.3%	51-60	21.3%
31-40	22.8%	Above 60	8.2%

Discrimination

We do not tolerate harassment or discriminatory practices based on age, ancestry, colour, marital status, medical condition, disability (both mental and physical), national origin, race, religion, political affiliation, sex, sexual orientation or gender identity, or any other factor as established by law in the countries in which we operate. Employment and business decisions unduly based on any of these factors are not acceptable. We ensure that everyone in Grafton Group is respected and can give of their best, irrespective of who they are or what job they do. We ensure that everyone we do business with is respected and given the highest level of service irrespective of who they are or what job they do. The Board takes overall responsibility for the development of equality, equity, diversity and inclusion, leads by example and ensures that progress is reviewed, and further actions instigated, as necessary. The Group complies with specific legislation in each jurisdiction where we operate. However, the overriding principle remains that we do not tolerate discrimination of any kind and we promote diversity and inclusion in all our businesses.

At Grafton we believe in inclusive leadership. We expect all our leaders to role-model inclusion and display inclusive leadership skills, deliberately putting together high-performing diverse teams for operational tasks and projects and ensuring that teams operate in an inclusive manner.

Grafton leaders and managers, at all levels, demonstrate their commitment to promoting equality, diversity, and inclusion. All our colleagues have personal responsibilities to treat everyone with respect, consideration and without prejudice and to promote the same levels of behaviour in colleagues.

All our colleagues are expected to:

- challenge unacceptable behaviours and create a climate where complaints can be raised without the fear of reprisal;
- take firm action where unfairness or inconsistency exists;
- encourage and support diversity within their teams;
- demonstrate and promote considerate and fair behaviour;
- treat colleagues, customers, suppliers, and other stakeholders, with dignity and respect and recognise and value individual skills and contributions;
- demonstrate through words and actions that diversity is an integral part of meeting business priorities;
- create an environment in which colleagues can identify and share good practice, celebrate success, and encourage positive attitudes towards diversity; and
- comply fully with all legislation relating to equality and diversity

Gender pay reporting

We are committed to fostering a fair and equitable workplace. Monitoring pay rates between men and women is an important step to ensuring that all colleagues are fairly rewarded for their work and their contribution to our business. We constantly review ways that we can address differences in pay between genders and we work hard to support career development and progression for female colleagues.

Woodie's and Chadwicks report their gender pay statistics and publish them on their websites. This is in addition to the established reporting at Selco and Leyland SDM. The Group also reports gender diversity data under the FTSE Women Leaders Review and we are preparing to meet the requirements of the EU Pay Transparency Directive.

List of HR policies

- Health and Safety
- Code of Business Conduct and Ethics
- Group Equality, Equity, Diversity, and Inclusion Policy
- Group SpeakUp Policy
- Group Colleague Purchasing Policy
- Group Wellbeing Statement

Each of our businesses have policies in place covering specific topics depending on the business and local jurisdiction. These include:

- Disciplinary Policy
- Grievance Policy
- Sickness Absence Policy
- Exceptional Leave Policy
- Redundancy Policy
- Company Car Policy
- Expenses Policy
- Menopause Guidance
- Maternity Leave Policy
- Paternity Leave Policy
- Carers Policy
- Parental Leave Policy
- Adoption Leave Policy
- Flexible Working Policy
- Group Homeworking Policy
- Study Assistance Policy
- Charity Guidance
- Employee Privacy Policy
- Domestic Violence Support

Community

Alignment with SDGs

Grafton business units operate in a diverse range of communities across the UK, Ireland, the Netherlands and Finland and many of our colleagues come from these communities. It's incredibly important to act as a good neighbour and use our skills and experience to help those in need.

Colleagues care deeply about supporting community programmes through volunteering, fundraising and donating, and in the challenging economic circumstances as a business we are proud to have contributed over £830,000 to communities in 2023 and to have raised a further £780,000 through colleague and customer fundraising.

The contribution by the Group to communities is made up of:

- **Volunteering** time by our colleagues paid for by the business for a host of activities which could include everything from supporting local schools, refurbishing buildings, skills training and fundraising.

- **Monetary donations** from the business to local community groups, usually voted for by our colleagues. These can take the form of donations and matched funding for colleague fundraising activities.

- **In-kind donations** which includes materials donated at a local level to support the refurbishment of buildings and services such as marketing, press and print needed to raise awareness of the organisations and issues.

Grafton slightly exceeded its target to invest over 0.4 per cent of operating profits in communities in 2023[Δ].

In addition, our colleagues and customers love to get involved in fundraising. Across the Group our colleagues cycled, climbed, baked and organised raffles all in the name of good causes.

Case study

Supporting grassroots

A number of our business units support grassroots organisations in the community. Selco for example supported the next generation of talent and those that play rugby at grassroots level. Amateur rugby league clubs were invited to enter for the chance to win £2,000 worth of building materials to improve their facilities. More than 200 clubs entered the competition, West Leeds amateur rugby league football club won and were able to complete a new community clubhouse. MacBlair, have also supported grassroots sports teams close to their stores through monetary donations at a branch level.

Case study

Supporting the next generation of tradespeople

Selco is supporting the next generation of tradespeople by backing colleges which have a strong trade and construction course offering such as West London College, Leeds College of Building and Exeter College. Selco hosts visits to branches for these students to help them to understand the building products distribution market. Each participating college receives £3,000 worth of building materials to utilise on their courses. West London College has received an extra £5,000 in materials as part of its new Green Skills offering in 2024 which focuses on future sustainable products and techniques for tradespeople. StairBox hosted trainee carpenters to their manufacturing facility to see the process in action.

Case study

Volunteering

Volunteering our time is an important part of the community programme across the Group, our colleagues enjoy getting involved in the local community and having a tangible impact on issues that they care about. Our colleagues have volunteered in all sorts of ways including renovation projects, supporting local schools and carrying out fundraising activities for charities.

Case study

Colleague fundraising

Woodie's Heroes is the annual fundraiser for Irish Children's Charities. Over the past nine years, Woodie's colleagues and customers have raised well over €3 million. Each year colleagues vote for the charities they would like to support and the fundraising takes place over four weeks each summer. Donations are made in-store, online through iDonate or by text.

Ethics

Alignment with SDGs

To deliver our business and sustainability goals we need to underpin our strategy with robust governance processes, strong policies and procedures, effective training and awareness, responsible sourcing and responsive risk and opportunities management.

Through the double materiality assessment, priority issues were highlighted including strong governance, supplier management, cyber security, regulatory compliance and privacy and data security.

T Governance

Sustainability governance is integrated into Grafton's governance structure. The Board has ultimate accountability for managing sustainability and climate change risk and opportunities.

The Board monitors progress on sustainability and climate-related goals through discussion and reports presented at Board meetings. At its meeting in January 2023, the Board held an in-depth session on sustainability and climate change and received an update on the progress of actions from the Group Head of Sustainability. At its meeting in October 2023, the Board was updated on new climate and sustainability regulations including CSRD and Carbon Borders Adjustment Mechanism (CBAM), a summary of the double materiality assessment, performance against sustainability targets including Scope 1 and 2 GHG emissions and waste requirements, progress on Scope 3 measurement and setting of net zero targets. An update on the progress of sustainability and climate change related activities is also included in the CFO report that is presented at each Board Meeting.

The Board includes a Non-Executive Director, Dr. Rosheen McGuckian, who is CEO of NTR plc, a company that constructs and maintains sustainability assets. She brings to the Board specific knowledge and experience in this area from her executive role with NTR plc while the other Non-Executive Directors on the Board have experience of climate change and sustainability matters through their roles as Non-Executive Directors in public and private companies.

In 2023 the bonus scheme for the CEO and CFO has included amounts linked to the achievement of sustainability targets including reduction in Scope 1 and 2 GHG emissions.

During the year the Group established an Executive Sustainability Committee, reporting to the Board, comprising of the Group CEO, CFO, Group Head of Sustainability and CEOs of the Group's larger business units. The Committee will meet three times a year and will provide executive oversight and decision-making over the sustainability strategy.

The Audit and Risk Committee (ARC), a sub-committee of the Board, is responsible for overseeing and monitoring the Group's risk management systems and the steps taken to mitigate key risks, including sustainability and climate change. At each of the four ARC meetings held every year the members receive an update of significant changes in the risk profile and progress in risk mitigation activities. In addition, the ARC meeting held every January is dedicated to risk management and includes a deep dive review of individual risks.

Sustainability and climate risks and opportunities are assessed and reviewed by our Group Risk Committee (GRC). The Committee is chaired by the CFO with representatives from all relevant Group functions, including the Group Head of Sustainability, and significant businesses which meets quarterly. During 2023 Sustainability and Climate Change has been a standing agenda item at GRC meetings.

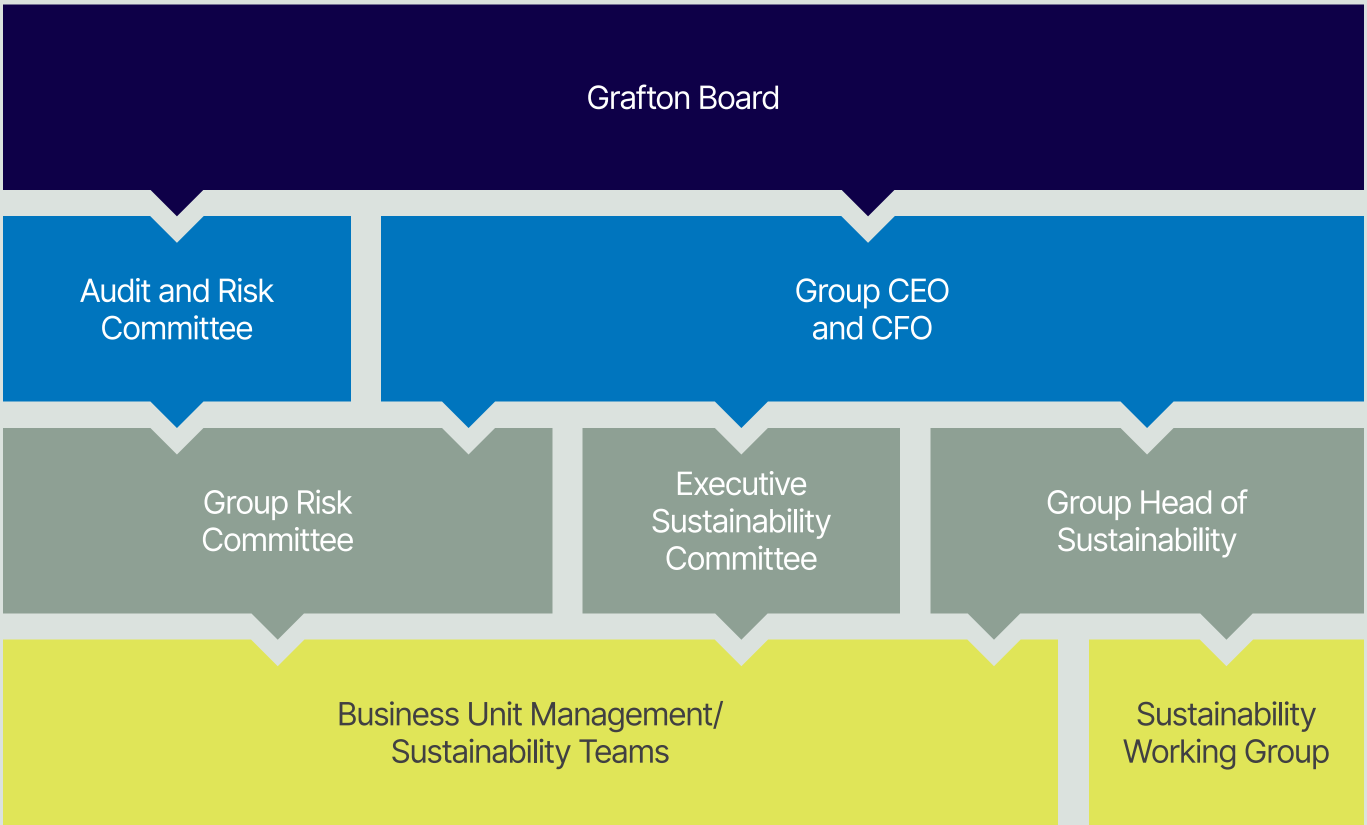
The Sustainability Working Group is led by the Group's Head of Sustainability and includes functional heads with expertise in property, people, environment and ethics. The Working Group is responsible for facilitating actions to help the Group and individual businesses implement the sustainability strategy, and respond to the identified climate risks and opportunities.

The Group Sustainability Strategy and climate programme is being implemented by the individual business units. The CEOs of those businesses are responsible for implementing and managing their own sustainability and climate change programme which is consistent with the Group's overall strategy. Each business has formed its own sustainability committee or working group to monitor and manage its sustainability actions. The Group Head of Sustainability had regular meetings during the year to discuss progress and share good practice with the teams in the business units. In addition, a number of cross-business network forums have been established which discuss specific sustainability topics including property, people, and transport.

The Group has implemented an online tool which enables businesses to record and monitor their progress against the targets and actions set through the Group sustainability strategy, this includes recording Scope 1 and 2 GHG emissions.

The due diligence process for potential new acquisitions includes an assessment of sustainability and climate-related risks and an objective that any newly acquired businesses will align with the Group's sustainability strategy within two years of the date of acquisition. The Group's capital expenditure approval process includes a requirement for the climate change and sustainability impact of investments to be documented, and forms part of the investment decision. Annual budget presentations made by the leadership teams of each business to Group Executive Management include a section requiring business unit management teams to set out the progress they've made against their sustainability targets and objectives, and budget for the coming year.

Sustainability governance



Sustainability report
Action and progress continued
Ethics continued

Ethical business practices and human rights
The Group has a Code of Business Conduct and Ethics which reflects its responsibility to uphold high standards of ethics and integrity, and it sets the standard of behaviour which colleagues, contractors, agents and businesses are expected to follow. The Code is available on the Group website and made available to colleagues in each business in the local language. The Code and associated policies are the subject of mandatory training courses which are accessed by colleagues through the Group's online learning management systems. In 2023 the Code was updated as well as the content of the information security awareness sessions.

Compliance rates are recorded and reported to the Group Risk Committee and Group Internal Audit who perform testing to confirm compliance with key aspects of the Code and Group policies as part of annual reviews. The mandatory training courses are expected to be completed by colleagues within the first three months of joining the Group, and then retaken on a regular basis (either annually or every two years depending on the course).

Training: compliance rates
Overall compliance rates dropped during the year to an average of 83 per cent across the three courses (88 per cent in 2022) and are below the Group's target of 95 per cent. During the year the Information Security Awareness course was relaunched, and several businesses moved onto new learning platforms. This negatively impacted compliance rates, however initial technical difficulties have now been resolved and compliance rates have started to improve during the last quarter of the year.

SpeakUp
Colleagues are encouraged to report any concerns they have to their line manager including anything of an ethical business nature. In addition, the Group has an established whistleblowing process which has been rolled out across businesses in the UK, Ireland, Finland, and the Netherlands. The SpeakUp service allows colleagues to report concerns confidentially to an independent party with safeguards in place to ensure cases are investigated fully and prevent retaliation to reporters. Awareness of the process is through colleague training, business communications and posters at each site. A link to the reporting website is also included on the Group and individual business unit websites.

During 2023 there was an increase of 63 per cent on the prior year in the number of reports received through the SpeakUp service, with reports received from a wider number of business units. The increase is attributed to greater awareness of the SpeakUp process by colleagues and third parties following action taken by Group and individual businesses to promote the service. 37 per cent of cases were substantiated following investigation and resulted in remedial action including disciplinaries, re-training and process improvements.

Privacy, data and cyber security
In 2023, Grafton continued to build on the progress of previous years in respect of process improvements and investment in information technology to detect and protect our data and systems. Both data protection and information security are key areas of focus, underpinned by comprehensive policies and ongoing awareness campaigns to ensure that all colleagues play their part in keeping information safe and secure. Each business has a cyber-attack incident plan setting out the steps to react to and recover from a cyber incident, and regular assessments are carried out to identify and resolve vulnerabilities. During 2023, the Group has focused efforts on continual improvement for cyber security controls, and several key control areas were upgraded to strengthen the Group's security position.

Anti-Bribery and corruption
The Group Anti-Bribery and Corruption Policy sets out the Group's zero tolerance approach to all forms of bribery and corruption, and the standards expected of all colleagues. It includes thresholds and approval requirements for the offering and receiving of gifts and hospitality to and from third parties by colleagues, and requires that a declaration of independence be signed annually by senior management and other individuals who are considered to be exposed to a higher risk of conflicts of interest, including colleagues who have responsibility for contract negotiations with customers and suppliers. Colleagues are made aware of the policy requirements through mandatory training and awareness videos. Compliance with the policy and the management of potential conflicts of interest is reviewed and tested by Group Internal Audit through annual compliance audits.

Business conduct and ethics

85.92%

Information security awareness

77.63%

Regulatory compliance

86.85%

Supply chain management and procurement

In 2023 Grafton continued the roll out the supply chain management system in partnership with an expert risk management company, Exiger. Questionnaires have been sent to large suppliers (over £100,000 of business annually) requesting due diligence information covering countries of operation and manufacture, sustainability policies, procedures and standards. The Exiger system also screens suppliers against sanctions lists, and media reports of non-compliant activity. The table below outlines our supplier due diligence process.

Grafton analyses these responses and uses the information to map the goods for resale supply chains. The vast majority of large suppliers are based in the countries where we operate both in terms of corporate location and manufacturing location. This programme is an important part of the human rights and modern slavery due diligence process to promote strong labour standards through the value chain. The Group's Modern Slavery statement is available at www.graftonplc.com.

In 2023 Grafton appointed a new Group Procurement Director reporting directly to the Group CEO. An important focus for 2024 will be to improve data collection and monitoring of the supply chain and prepare for the EU due diligence and deforestation legislation.

In addition, a number of business units held supplier conferences where sustainability formed an important part of the agenda.

Stakeholder engagement

Stakeholder engagement is a key part of our sustainability programme and will increase in importance in 2023 and beyond. As a federated business we engage with stakeholders at a Group level as well as at individual business unit level.

For more information on our stakeholder engagement see pages 20 to 21.

Supplier due diligence process

Supplier data assessed and suppliers prioritised

Supplier uploaded onto 3rd party risk assessment platform

Suppliers >£100k prioritised.
Main sourcing countries include UK, Ireland, Netherlands, China and Finland

Supplier screening

Supplier questionnaire

In 2022 and 2023, 35 screening reports flagged concerns that have been raised and resolved by the relevant business unit in partnership with the supplier in question

Risk assessment and supplier engagement

Data monitored and tracked and issues managed through governance process

81 per cent of suppliers on the risk management system completed the assessment up from 67 per cent in 2022

Sustainability report
Supporting information

Independent practitioner's assurance report
Management of Grafton Group plc

Scope
We have been engaged by Grafton Group plc ("Grafton") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Grafton's selected performance data and statements (the "Subject Matter") contained in Grafton's (the "Company's") Annual Report for the year ended 31 December 2023 (the "Report").

The Subject Matter includes the following selected performance data, which are also marked with a Δ symbol in the Report:

- 2023: Scope 1 and 2 CO_2 emissions per million of revenue from continuing operations of the Group.
- 2023: Total number of female employees in the continuing operations of the Group divided by total number of employees in the continuing operations of the Group, expressed as a percentage.
- 2023 target: At least 0.4 per cent investment and/or sustainability related fundraising (including colleague time for paid volunteering, sponsorship of community groups, gifts in kind and cash donations, excluding colleague and customer fundraising) as a percentage of adjusted operating profit for the Group
- 2023 landfill diversion rate: (total tonnes of waste diverted from landfill, divided by the total tonnes of waste generated in operations)

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Grafton
In preparing the Subject Matter, Grafton applied Grafton's publicly disclosed criteria (the "Criteria") that is available on the Grafton website. Such Criteria were specifically designed by Grafton to guide the measurement and reporting of the Subject Matter. As a result, the subject matter information may not be suitable for another purpose.

Grafton's responsibilities
Grafton's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects . This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and International Standard for Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), and the terms of reference for this engagement as agreed with Grafton on 18 January 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality control
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed
Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with personnel to understand the business and reporting process, as well as the process for collecting, collating, and reporting the Subject Matter during the reporting period
- Checked that the calculation methodologies have been correctly applied in accordance with the Criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Identified and testing assumptions supporting calculations
- Tested, on a sample basis, underlying source information to check the accuracy of the data

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 6 March 2024 for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

Use of our assurance statement

We disclaim any assumption of responsibility for any reliance on this assurance statement or its conclusions to any persons other than Grafton, or for any purpose other than that for which it was prepared.

Accordingly, we accept no liability whatsoever, whether in contract, tort or otherwise, to any third party for any consequences of the use or misuse of this assurance statement or its conclusions.

Ernst & Young
6 March 2024
Dublin, Ireland